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Pittsburgh opens a downtown subway

August 1985

RAILWAY AGE

...for the new age of railways

Rail lubrication:

What will the tests prove?

RAILWAY AGE

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Market Outlook

Equipment

Canadian Wheat Board: An order for 620 hopper cars is now being delivered by Marine Industries' Railcar Division at the rate of six cars per working day. Total cost of the order is estimated at $38.6 million (Canadian).

Detroit Edison: Placed a $25-million order with Greenville Steel Car for 610 aluminum/steel gondola cars for delivery late this year. The cars, each of which will carry a payload of 108 tons, will haul low-sulfur coal from the Decker mines in Montana to Superior, Wis. The coal will then move by ship to a facility in St. Clair County, Mich., that serves Detroit Edison's St. Clair and Belle River plants. DE says savings from the new lightweight cars—estimated at more than $2.5 million a year—will be passed on to customers. Completion of the order, which amounts to five trainsets plus spares, will make DE the first utility to be served by an all-aluminum-bodied fleet out of the Powder River Basin.

Trailer Train: Ordered 250 single-axle, trailer-only Front Runner flat cars from Bethlehem Steel for third-quarter delivery; ordered 175 five-well, double-stack container cars from Gunderson for third-quarter delivery; and acquired 95 five-well, double-stack container cars from Thrall—all at a total cost of $48.4 million.

Facilities

Korean National Railroad: A $67-million World Bank loan will help KNR finance a modernization project in the Seoul-Busan corridor. The program calls for the resignaling of about 180 miles of double-track line; installation of ctc to increase capacity to 170 trains a day; and acquisition of new rolling stock.

Seaboard System: Opened a new, $11.3-million intermodal terminal at Orlando, Fla. that is expected to handle more than 100,000 trailers a year. Occupying more than 90 acres, the new facility is the southern terminus of Seaboard's all-produce Orange Blossom Special.

Revenue freight carloadings

Commodity	July 13 week	July 6 week	June 29 week	June 22 week
Grain	25,044	22,829	25,157	26,609
Other farm products	3,460	3,032	3,601	3,735
Metallic ores	13,503	12,641	19,469	18,548
Coal	86,291	80,121	117,406	122,493
Crushed stone, gravel and sand	13,038	10,594	13,112	13,605
Nonmetallic minerals	11,101	9,968	11,290	10,474
Grain mill products	9,526	8,461	9,633	9,872
Food and kindred products	10,549	8,299	11,171	10,986
Primary forest products	11,280	8,381	11,980	12,005
Lumber and wood products except furniture	6,520	4,788	8,546	7,730
Pulp, paper and allied products	12,968	12,267	14,668	13,913
Chemicals and allied products	22,274	18,940	25,228	22,408
Petroleum products	4,705	4,079	4,796	4,679
Stone, clay and glass products	10,604	9,033	11,373	11,036
Coke	5,191	4,698	4,917	5,147
Metals and products	8,559	8,092	9,581	9,151
Motor vehicles and equipment	16,222	13,535	20,176	22,686
Waste and scrap materials	7,828	5,714	8,154	8,336
Forwarder and shipper assn. traffic	5,956	5,319	6,650	6,330
All other carloads	54,103	49,755	60,991	59,605
LCL traffic	109	139	165	207
Total Cars Loaded	**338,881**	**288,584**	**386,864**	**389,495**
% change from previous year	(12.2)	(7.2)	(0.8)	(2.6)
Estimated revenue ton-miles (billions)	15.9	14.2	16.6	16.5
% change from previous year	(9.0)	(5.3)	0.4	(0.5)

Cumulative Total:	1985	1984	% change
28 weeks	480.2	498.7	(3.7)

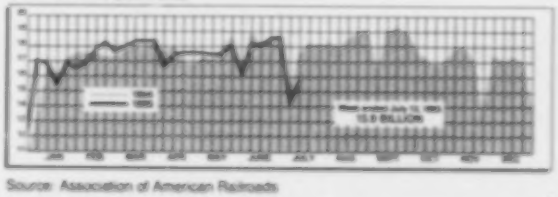
Piggyback loadings

	July 6 week	June 29 week	June 22 week	June 15 week
Trailers/containers	71,485	91,167	86,320	89,150

Cumulative total, 27 weeks		% change from 1984
Trailers/containers	2,277,059	(3.2)

Rail freight traffic trends

Billion ton miles (Estimated)



Source: Association of American Railroads

Freight cars

	DELIVERED June 1985	DELIVERED 6 months 1985	DELIVERED 6 months 1984	ORDERED June 1985	ORDERED 6 months 1985	ORDERED 6 months 1984	ON ORDER AND UNDELIVERED July 1, 1985	Average Backlog 1985	Average Backlog 1984
Built new by carbuilders	1,077	5,537	5,080	827	4,842	10,189	3,843	4,139	6,434
Built new in RR shops	0	406	0	0	0	250	0	47	42
Built new—total	**1,077**	**5,943**	**5,080**	**827**	**4,842**	**10,439**	**3,843**	**4,186**	**6,476**
Rebuilt	0	0	0	0	0	0	0	0	0
TOTAL	**1,077**	**5,943**	**5,080**	**827**	**4,842**	**10,439**	**3,843**	**4,186**	**6,476**
Locomotives (new and rebuilt)	28	212*	191	N/A	N/A	N/A	267	263	157

Source: Transportation Div., AAR and American Railway Car Institute
*revised figure

Watching Washington

Red herrings and hypocrisy

In the dog days of summer, 1985, the temperature is not the only thing that has been heating up in Washington. The ongoing debate between the Association of American Railroads and Consumers United for Rail Equity is causing blood to boil on both sides.

Understandably frustrated by the paper blitz being generated by C.U.R.E., AAR President William H. Dempsey stated on July 22 that his group wants to "inject a note of reality" into the discussion on the pros and cons of the Staggers Act, but that a rational dialogue will be hard to achieve if the anti-Staggers groups continue to indulge in "flawed methodology," red herrings, hypocrisy, and double standards.

To date, C.U.R.E.'s main charges are that: 1) the railroads have monopoly power over coal transportation; 2) coal rates are unreasonably high; 3) the railroads use high coal rates to subsidize other traffic; and 4) since the railroads' rate of return is now averaging 6%, instead of the pre-Staggers 2% or 3%, the cost of capital is not a proper yardstick of a railroad's revenue adequacy.

The railroad industry has been addressing these issues and others since 1980. In this latest round in the war of words, the AAR has released a 36-page study of the electric utility industry.

Dempsey is particularly bothered by the notion being advanced by C.U.R.E. that rail coal rates are pushing up electric rates. The study shows that "railroad rates represent a tiny fraction of total electric utility costs. The delivered price of coal—including the rail component—to utilities increased 8% between 1981 and 1984. Electric rates increased 19%. Even if the entire 8% increase in the cost of coal had been attributable to rail rates—which it was not—the increase per kilowatt-hour would have been less than .03 cent." And yet the price per kilowatt-hour increased by 1.06 cents, or 35 times as much. As Dempsey points out, "the average electric consumer would probably have been thrilled to have had rail rate increases passed along—if those had been the *only* increases, and they were not."

The AAR analysis compares trends in the rates of return on equity from 1979 to 1983 for the electric utilities, the railroads, and all industry generally (see below). The pattern is one of steadily rising profitability for the utilities compared with a gradual fall for all industry, with the railroads faring "much worse" than the other two categories.

As another indication that the utilities have not suffered unduly under Staggers, the report shows that the dividends paid out to utility investors have increased 78% since 1979, while the annual additions to retained earnings have increased more than 100%. Today, many utilities are undertaking enormous diversification programs (while criticizing some railroads for doing likewise), and at the same time are filing for more rate increases. The AAR points out that "of the $24.4 billion in increased rates paid by utility customers between 1981 and 1984, $7 billion—or 29%—went to utility investors."

The report continues: "...while utilities condemn using a single return equal to the cost of capital as the standard for the railroad industry, and urge instead the use of other financial ratios which could permit the Commission to regard returns below the cost of capital as adequate, they insist upon nothing less than the cost of capital for themselves. Indeed, anything less becomes an automatic justification for an increase in electricity rates."

—Judy McCusker

RETURN ON EQUITY

	1979	1980	1981	1982	1983
Electric utilities	11.2	11.4	12.6	13.6	14.4
Railroads	5.3	6.0	9.6	5.4	7.3
All industry	16.5	14.7	13.6	10.2	11.2

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Lines on Labor

Two accidents that didn't have to happen

Shortly before 4 a.m. on April 13, 1984, two Burlington Northern freight trains collided head-on at Wiggins, Col. Little more than a week later, shortly before 5 a.m. on April 22, 1984, a Burlington Northern freight train struck the rear of another BN train near Newcastle, Wyo. The combined toll: seven crew members killed, four crew members injured, property damages adding up to more than $5.2 million.

GUS WELTY

Now, the National Transportation Safety Board has issued its report on these two accidents. It is a story of alcohol and/or drug use...of head-end crew members asleep and/or impaired...of supervision spread thin...of railroad personnel unable to define a key phrase in Rule G...of crew members unsure of their responsibilities or unwilling to accept them. It is a story of circumstance piling upon circumstance to make disaster inevitable. Still, it is a story of two accidents that did not have to happen, of seven lives that did not have to be lost...if, if, if.

NTSB summed up its findings starkly: Probable cause of the Wiggins accidents "was the engineer and other head-end crew members of Extra 6714 West falling asleep and failing to comply with restrictive signal aspects. Contributing to the failure of the engineer and fireman was their consumption of alcohol and fatigue resulting from their voluntary lack of sleep during their off-duty time, aggravated by irregular work/rest cycles...Probable cause of the Newcastle accident was the failure of the engineer and head brakeman of Extra 7843 East to operate their train in compliance with restrictive signal aspects because they were asleep or, in the case of the engineer, otherwise impaired. Contributing to the failure was the use of marijuana by the engineer, as well as the fatigue of the engineer and head brakeman due to their voluntary lack of sleep and unpredictable working hours. Contributing to both accidents were the conductors' failure in both instances to protect their trains in compliance with Operating Rules 34 and 804(B), and Burlington Northern's failure to supervise properly its train operations."

There are so many places where you could attempt to start, in trying to analyze what went wrong. NTSB itself came up with 35 conclusions, followed by a series of recommendations to BN, to the AAR and to the FRA. Frankly, there isn't much that's all that new in any of the recommendations. And, NTSB can only recommend. It cannot mandate, it cannot order anybody to do anything.

But, a few observations may be in order, in view of what NTSB said in these cases and in another report that came out after the BN report.

One is that, after all these years, there is simply no reason why employees and even supervisors have no clear understanding as to what "subject to duty" means in the context of Rule G.

Another is that, after all these years, there is simply no reason why train crew members should have ambiguous thoughts about what they should do, what they are required to do, if it becomes obvious that the person at the throttle is not operating the train as it should be operated.

A third, having nothing really to do with rule interpretations, is that—whatever FRA comes up with as an alcohol drug rule—nothing is going to work unless supervision is tightened. For instance, BN's current philosophy, or culture, having to do with pushing decision-making down in the organization, is good in theory—but decisions, and the whole supervisory process, can be pushed down too far. NTSB quotes a senior officer of BN as saying that one of its objectives was to rely more heavily upon engineers and conductors "for the management of its train operations rather than increase its supervisory force....We pay our engineers and conductors...a differential over the other crafts to take charge and take responsibility for the train. I think it's a waste of stockholders' money to have to over-manage if we've got the resources and the ability for our employees to do their job of managing their operations."

Obviously, at Wiggins and at Newcastle, the philosophy, the culture, the theory, did not work. Individuals were not responsible, and supervision was not there to make sure that they were.

So, where's the answer? In rules? Maybe, but probably not. Years ago, *Railway Age* did a story on grade-crossing accidents. Rail unions furnished some of the photos that were used. Many photos could not be used because they were just too terrible. Maybe "safety" meetings should start portraying this side of the story.

Class 1 railroad employment

Employee Group	No. of employees, mid-month count May 1985	Percent of change May 1985 from May 1984	Percent of change May 1985 from April 1985
Total—all employees	310,135	d 3.84	.73
Executives, officials and staff assistants	13,800	d 1.05	.04
Professional and administrative	57,411	d 7.86	d .43
Maintenance of way and structures	67,282	10.37	6.78
Maintenance of equipment and stores	57,495	d 8.77	d .93
Transportation (other than train and engine)	20,189	d 12.59	d 1.41
Transportation (train and engine)	93,958	d 5.28	d 1.02

Source: ICC

NOTE

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